OHIO RAIL DEVELOPMENT COMMISSION

1980 WEST BROAD STREET • COLUMBUS, OH 43223

JOHN R. KASICH, GOVERNOR • JAMES G. BRADLEY, ORDC CHAIRMAN

January 12, 2012

Dear Commissioners:

Enclosed please find relevant information to the **Thursday, January 19, 2012** Commission Meeting. Minutes of the November 10, 2011 Commission Meeting are included for your review.

This meeting will be held at the **Ohio Department of Transportation Headquarters, 1980 West Broad Street, Columbus, Ohio, Room GA, Lower Level.** Standing Committees of the Commission will meet before the Commission Meeting as follows:

Long-Term Strategy/Economic Development Committee	Room 3B
Human Resources Committee	Room 3C
Contract and Property Advisory Committee	Room 3A

All Committee meetings begin at 10:00 a.m. The ORDC Commission meeting will begin promptly at 11:00 a.m.

If you haven't already done so, please contact Julie Kaercher to confirm your attendance. You may reach her at 614-728-9497 (telephone) or by e-mail at julianne.kaercher@dot.state.oh.us.

We look forward to seeing you.

Sincerely,

James G. Bradley
Chairman

Enclosures

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JOHN R. KASICH, GOVERNOR • JAMES G. BRADLEY, ORDC CHAIRMAN

COMMISSION MEETING AGENDA
Thursday, January 19, 2012, 11:00 a.m.

Ohio Department of Transportation Headquarters
1980 West Broad Street, Room GA, Lower Level, Columbus, Ohio

CALL TO ORDER: James G. Bradley, Chairman

- Welcome
- Roll Call
- Approval of Minutes from November Meeting

EXECUTIVE DIRECTOR REPORT: Matt Dietrich

FINANCE REPORT: Megan McClory

ITEMS FOR APPROVAL

- 12-01 Ashland Railway Mansfield to Ashland Line Rehabilitation Project Grant

COMMITTEE REPORTS

OLD BUSINESS

NEW BUSINESS

PUBLIC COMMENT

ADJOURN

MINUTES OF THE OHIO RAIL DEVELOPMENT COMMISSION
REGULAR BI-MONTHLY MEETING
November 10, 2011

CALL TO ORDER

The meeting of the Ohio Rail Development Commission was called to order by Chairman James Bradley at 11:06 a.m. on Thursday, November 10, 2011.

MEMBERS PRESENT

Members present included: Chairman James Bradley, Executive Director Matt Dietrich, Commissioners Rob Greenlese, Solomon Jackson, Bill Lozier, Tom McOwen, Ronald Rasmus, Larry Sowers, and Kevin Potter. Commissioner Herk Wolfe arrived at 11:10a.m., after the approval of the September 15, 2011 meeting minutes. Commissioners Barbara Bennett and Greg Murphy were unable to attend. There were 9 voting members present, therefore a quorum was obtained.

APPROVAL OF THE MINUTES OF THE SEPTEMBER MEETING

Chairman Bradley asked for a motion to approve the minutes of the September 15, 2011 meeting. Commissioner Greenlese moved to approve the minutes and Commissioner Sowers seconded the motion. Roll Call was taken and the minutes were approved as presented with eight votes in the affirmative.

EXECUTIVE DIRECTOR'S REPORT

Matt Dietrich, ORDC's Executive Director presented the Executive Director's Report, which can be found on page 9 of the commission packet. He explained that the shale development has been a hot topic recently. A lot of meetings with the railroads have been held and there has been a recent development in ORDC's work with the Ohio Department of Transportation (ODOT). Executive Director Dietrich introduced Andrew Bremer, Deputy Director of Legislative Affairs for ODOT, sitting in for Commissioner Greg Murphy. Director Dietrich stated that ORDC has been working with ODOT on the Road Use Maintenance Agreement (RUMA), a template agreement developed to deal with the shale development in areas to mitigate roadway wear and tear. An issue with shale development is that grade crossings are not being considered when towns are signing agreements with the shale companies when it comes to maintenance of their roadways. Executive Director Dietrich explained ORDC has been invited to the table in these discussions to get grade crossings included in the RUMAs. Marty Pohlod of the Ohio Central was at a meeting on RUMA Tuesday and noted that the county engineers were very open to the concept of including the grade crossings in these agreements and they just need to work out some liability issues. These agreements would cover the need for fixing the roads once these shale companies come in and use rural roadways for their transport. A preliminary evaluation will be performed by the engineers and repair will be dictated based on the condition of the roadways after the shale companies have used them. Mr. Dietrich said Lloyd MacAdam, District 11 Deputy Director, has really taken a lead on this and the Ohio Department of Natural Resources is intending to make these agreements mandatory before the drilling permits can be in place. The agreements are very good things and will help the communities in these rural areas.

Director Dietrich stated that at the staff level, ORDC is struggling with "what is our role in this?" As ORDC advances with these projects and interact with the companies, they are really struggling to decide how involved we should be because we are seeing our value added in areas where track rehabilitation is needed.

Executive Director Dietrich stated that he will hold the discussion on the Jackson Line, as well as the Panhandle Committee discussion, until the committee reports.

Mr. Dietrich told the Commission of some personnel issues; there are a lot of changes going on at the staff level. Stu Nicholson is leaving at the end of the year. Executive Director Dietrich thanked Stu for his service. He also stated Matt Malich has also left for a full-time job with WD Transportation and the ORDC staff wishes him well there. Mr. Dietrich also announced there is an addition to the staff. Rich Behrendt, the rail coordinator for ODOT, will be full-time staff with the ORDC and will still be coordinating rail-highway development. This is formalizing the processes that have been taking place already.

Lastly, Executive Director Dietrich announced that Commissioner Wolfe is retiring from the ORDC. Commissioner Wolfe thanked the staff, the railroads, and everyone he has done business with over the past years, for all their support. He said he truly enjoyed his time on the Commission and will miss it. Executive Director Dietrich presented Commissioner Wolfe with a proclamation from Governor Kasich recognizing and thanking him for his service. Resolution 11-14 was read aloud by Lou Jannazo. Chairman Bradley asked for any comments. Commissioner Sowers thanked Commissioner Wolfe for his service and shared a personal story about getting lost with Commissioner Wolfe at a previous meeting. Commissioner Jackson also shared personal stories with the Commission about his time with Commissioner Wolfe. Previous ORDC Chairman Jim Betz shared stories and kind words as well on behalf of Commissioner Wolfe's departure. Chairman Bradley asked for a motion to approve Resolution 11-14. Commissioner Greenlese made the motion to approve and Commissioner Jackson seconded it. Roll Call was taken and the resolution was approved as presented with nine votes in the affirmative.

Director Dietrich introduced Kevin Potter, ORDC's new Commissioner from the Department of Development.

Chairman Bradley asked if there were any questions about the Executive Director's Report. Commissioner Jackson asked what kind of projects we should anticipate with shale development. Executive Director Dietrich said we should expect transload projects most likely. Whether that is single source or multiple source we do not know, but this is what we will most likely see. In Pennsylvania what were once Class I under-utilized yards are now becoming very important facilities, so Mr. Dietrich suspects ORDC will see a lot of projects based on maintenance and repair of similar facilities in Eastern Ohio. He stated the ORDC is most likely looking at loan scenarios, not grant scenarios.

Commissioner Jackson also asked about item two of his report, which has to deal with the City of Jackson Line. He asked Executive Director Dietrich to share his insight into why he feels the

need to have ORDC get involved in this situation. Chairman Bradley deferred the discussion until later in the meeting.

FINANCE REPORT

Megan McClory, ORDC's Secretary-Treasurer, presented the Finance Report to the Commissioners, which can be found on page 15 of the commission packet. She announced the 2012 meeting calendar is included on page 21 of the packet. Ms. McClory also said the ORDC staff was directed by the Director of the Governor's Boards and Commissions to remind the Commissioners about the attendance requirements included in Ohio Revised Code.

She elaborated on a few of the ARRA Projects that are underway, explaining that a few of those projects should be wrapping up by the end of the year; these projects are the two Norfolk Southern Projects, Airline Yard Terminal Expansion near Toledo and the Double Stack Clearance between Columbus and Cincinnati as well as the Medina project, which should be substantially completed by mid-December and all finished by mid-January.

Ms. McClory announced that ORDC entered into the new agreement with the Zanesville and Western, who want to run a tourist excursion on the Glass Rock line, that was an approved agreement at the last ORDC meeting and the company is sending regular updates and meeting the milestones we laid out as conditions of that agreement. There were no questions or comments.

PANHANDLE SUB-COMMITTEE REPORT

Chairman Bradley asked to bring forward the Panhandle Committee report before the items for approval were discussed. Commissioner McOwen explained that at the October 27th meeting they reviewed the draft document thus far. Executive Director Dietrich stated these efforts have been going on for over a year and a half. The draft agreement is up on the web and will be the version taken to the public outreach meetings over the next month. The first meeting is November 16th at 10:30am at the Dennison Depot. The next is at the Works Museum in Newark on December 14th at 2pm.

Mr. Dietrich pointed out that Commissioner McOwen has always stated that this has been a success. Twenty years ago this line had 15,000 carloads and the eastern portion was out of service. Today there are over 100,000 carloads and runs at a class 3 or 4 condition. Director Dietrich reminded the Commission that the bonds will be paid off in April and he wants to continue the success the best way possible. He said there are still some outstanding issues and some tweaking is still necessary, but the basics are there and it can be a good agreement. Once the public meeting notices were published there have been a lot of requests for interviews and a lot of media coverage; Stu Nicholson passed out a copy of the Gongwer Article for the Commissioners. There were no questions or comments.

RESOLUTION 11-10 – Revision of Loan Terms, Columbiana County Port Authority Loan

Secretary-Treasurer Megan McClory presented this item, which can be found on page 22 of the commission packet. The Commission heard a proposal in the July meeting and there was a discussion but no action taken. Since then, circumstances have changed yet again. Ms. McClory feels very comfortable with the proposal on the table. There is a purchaser for the line that is

willing to assume the ORDC loan and enter into repayment terms that will recover the outstanding principle on the loan. The buyer is also looking to invest $15 million in Northeast Ohio, as well as create 20-30 jobs and support 4 ancillary jobs in the area as well. In total, the Commission has provided about $4.5 million in financial assistance in terms of the purchase and rehabilitation of the line. The Commission loan has been modified six times since approved in 2003. The company Total Waste Logistic Landfill which operates along the line is interested in taking over the line. The outstanding balance of the loan is just over $1.2 million. In addition to our loan, the Port Authority has an outstanding loan from PNC Bank; they have been making payments on that loan and the ORDC loan is 2nd in line for recovery. If the Commission were to recall the loan, repayment would likely come at the cost of tearing up the line. Staff thinks the proposed purchase and redevelopment is a great investment opportunity for the Commission and the use of the rail line. The proposed conditions of the loan can be found on page 24 of the commission packet. The purchaser can buy ORDC out completely upfront or pay a significant portion of the loan with per carload payments to follow for the first seven years.

Jay Waxenbaum from NJE Management Company (NJE) was at the meeting to answer any questions regarding their proposed acquisition of the line. Executive Director Dietrich met with Tracy Drake of the Columbiana Port Authority and Mr. Waxenbaum on September 7th to discuss the situation and NJE's intention of acquiring the railroad and the landfill location with the purpose of investing in the shale development and establishing jobs. NJE's goals are to develop the Signal site and rehabilitate the line as quickly as possible. They are working quickly to finish up the due diligence required and get the transaction closed.

Chairman Bradley thanked Mr. Waxenbaum for their interest in the State of Ohio and willingness to invest. He asked what makes Mr. Waxenbaum's company so confident in success that has not been able to be successful in the past; what is really driving NJE's business case that will justify this investment? Mr. Waxenbaum stated that historically the landfill was a major customer for the railroad and basically it was under-capitalized in the past. They also feel there is a tremendous customer base in the area, especially when you add Utica shale. NJE feels there is a lot of opportunity out there to make the railroad profitable and it is a tremendous opportunity for them. Chairman Bradley followed up by asking if they have enough experience in this type of business. Mr. Waxenbaum stated that he personally has over 17 years moving waste by rail.

Commissioner Potter asked if the landfill site is permitted. Mr. Waxenbaum said the site is fully permitted and the $26.5 million expansion is days away from being permitted.

Commissioner Jackson asked which payment scenario the company will take. Mr. Waxenbaum stated that they will do the $250,000 payment to ORDC and $250,000 payment to the Port Authority with a $45 per car payment to the ORDC until the loan is retired, as well as assuming the PNC Bank loan. Commissioner Jackson asked if the $45 car load fee is based off the landfill. Mr. Waxenbaum explained it is any car using the line once it crosses Youngstown. Commissioner Jackson asked for clarification on the seven year limit. Director Dietrich stated it is a balloon payment situation where after seven years, if the debt is not retired, the company will pay off the balance. Commissioner Jackson also asked why the company wants a seven year payment term when there is so much excitement over the business opportunities available on the line; why not a three year term if they expect to earn so much revenue. Mr. Waxenbaum said as

a practical matter, based on projections, they could do a shorter term, but it is still a venture and it is a large risk and have chosen the seven year term in order to invest in other areas as well.

Commissioner Jackson asked if they feel the current loan schedule in place, which is a three year term, is too aggressive, based on the market. Mr. Waxenbaum said no. Commissioner Jackson expanded on the question by asking why they would not take that term then. Mr. Waxenbaum stated that this has a large up front capital investment of over $1.5 million on just the rail alone, so it is best to pay per car, which is the seven year term based on all the financials. Commissioner Jackson asked if Mr. Waxenbaum sees a scenario in which the traffic base (frac sand and shale market) will allow NJE to suspend the per car payment and simply pay off the balance owed. In other words, do they think business will do so well that they will have the ability and capital to pay off the loan in full sooner and abandon the per car payment plan. Mr. Waxenbaum said they would like the option to pay off the loan if it does go that well, yes.

Commissioner Rasmus asked how much would revenue increase by the shale business? Mr. Waxenbaum said that if you break it down, one major energy company has stated that there will be over 2000 carloads for frac sand alone. However, NJE is trying to be as conservative as possible in their assumptions. Commissioner Rasmus asked if without the shale developments, would NJE be able to pay off the debt. Mr. Waxenbaum said 'absolutely.'

Commissioner Rasmus asked if the shale permits have been secured and the drilling is definitely going to occur. Commissioner Lozier assisted by explaining that the Ohio Department of Natural Resources (ODNR) issues the permits for the shale drilling and asked if there have been any ODNR permits already issued to make the company optimistic in this business developing. Mr. Waxenbaum said yes. Commissioner Rasmus asked that if the permits were not issued, as a hypothetical, could NJE pay the loan off. Mr. Waxenbaum said yes.

Commissioner Lozier stated that this is what the ORDC has been waiting for. This Commission has been patient in waiting for a good operator to come along and it is finally happening. Chairman Bradley agreed and it looks like they have a lot of flexibility and promise in place. Executive Director Dietrich said that one of the reasons ORDC is agreeing to make this agreement with NJE is because they understand there is the good baseline traffic to pay the bills, but also so many other opportunities to expand upon and make a profit.

Chairman Bradley asked for a motion to approve Resolution 11-10. Commissioner Greenlese made the motion to approve and Commissioner Lozier seconded it. Roll Call was taken and the resolution was approved as presented with nine votes in the affirmative.

RESOLUTION 11-13 – CUOH Neilston Branch Project

Commissioner Jackson recused himself at 12:05. Lou Jannazo presented the item which can be found on page 29 of the commission packet. He reminded the Commission that the Neilston line is a multiple track line that is adjacent to the Panhandle line. There are two items for consideration. Item one is the repair of one of the Neilston lead tracks that serves a PSC scrap dealer. The line is mildly economic, but is additionally valuable because the track also accesses a small segment of the Neilston Branch to Yenkin-Majestic, which also needs rehabbed to enable them to have rail service for toxic materials. The rehabilitation of the Neilston spur will not only

improve service to PSC, but also improve the main line for Yenkin-Majestic to use next year. The second part of the project is moving the crossover of the Panhandle to prevent waiting for Norfolk Southern crews to give access to the line. The moving of the crossover will allow less congestion of other trains while waiting for crews. The proposed project includes both these components and the contingency that since the track is owned 50% by Ohio Central and 50% by ORDC; both parties need to agree on the movement of the crossover. Mr. Jannazo introduced Marty Pohlod and Dave Collins from the Ohio Central. They are in attendance to answer any questions the Commission might have on this project. There were no questions.

Chairman Bradley asked for a motion to approve Resolution 11-13. Commissioner Wolfe made the motion to approve and Commissioner Greenlese seconded it. Roll Call was taken and the resolution was approved as presented with eight votes in the affirmative and one recusal.

ODOT STATEWIDE FREIGHT STUDY REPORT

Commissioner Jackson returned. Kelly Angel from ODOT's Division of Planning, Statewide Planning and Research, gave a presentation on ODOT's Statewide Freight Study. Her presentation was an additional handout distributed the day of the meeting and therefore has no packet page number.

Chairman Bradley asked Ms. Angel who is heading the State Freight Study. She replied that she is and Mark Locker is the subject matter expert on the project. Executive Director Dietrich asked if ODOT is envisioning something like a benefits calculator for their plan. Ms. Angel said there will be extensive economic analysis. It might not necessarily be a benefits calculator in the same format as ORDC's rail freight plan, but they will have a way to evaluate the scenarios and what their planned investments are. Mr. Dietrich asked why logistics were not on the study as a specific targeted industry. Is it intentional or are the logistics considered within all listed industries? Ms. Angel said they followed the Department of Development on what industries to analyze so maybe they could comment on that path. Commissioner Potter said they took a list of targeted industries and created the presented list off that and then things that cover all industries is a part of another list, to which logistics is a part of. Chairman Bradley thanked Ms. Angel for her presentation.

COMMITTEE REPORTS

Commissioner McOwen presented the Contract and Property Advisory Committee Report. Their discussion was mainly spent on the City of Jackson line. Executive Director Dietrich explained that they talked about the letter of intent that can be found in his Executive Director Report and some of the rationale and intent behind how that developed. Commissioner McOwen joined ORDC staff on the tour of the rail line and the first of many inspections on the line. Mr. Dietrich introduced Jeff Luttermoser from US Rail in the audience. He noted that US Rail now has a long term lease for the line with the City, but that ORDC would definitely not be stepping into the City of Jackson's shoes and into that lease. Director Dietrich stressed that the current lease has too many grey areas and that any ORDC – US Rail lease would be much tighter. He also noted that the only condition US Rail has put on the table so far is that the lease be of comparable length to its existing lease with the City, i.e. about 40 years. Director Dietrich explained that the Staff has already begun its due diligence with an inspection of part of the Jackson Line and a

request that US Rail prioritize rail repair needs in terms of: 1) safety; 2) short term operations; and 3) long term goals, e.g. getting the track speeds raised to 25 MPH.

Chairman Bradley mentioned that there used to be a lot of policy issues about the State's involvement in issues such as this. One suggestion was that the ORDC create a committee like the Panhandle ad-hoc committee made up of a few Commissioners to think about this. Some of the questions that have arisen really get at the root of the charter that created the ORDC and its position in this kind of situation. Chairman Bradley said he would defer to Commissioner McOwen as to whether or not ORDC needs such a committee to deal with this line.

Commissioner Jackson wants to know why ORDC needs to step in. Is the City of Jackson in over its head because it seems to him that they have a vested interest, being local. Essentially, is it a matter of "oil and water" where the operator and the city cannot get along? Executive Director Dietrich said it actually is that simple. There is currently a lawsuit between the city and the railroad and the relationship between the two is bad. He said that nothing is getting accomplished and they are compromising the investment and impacting the shippers. Mr. Dietrich said between 1500 and 3000 jobs are rail dependent in the area and ORDC already has a 70% stake in the line based on the funding for the City's original purchase of the line. ORDC is the logical group to take over in this situation.

Commissioner Jackson wants to know more about the negative impact the relationship is having on the shippers. He is concerned that ORDC would then be cast in the role of the City and what, really, would we be solving. Mr. Dietrich said our value added is two-fold: first, no more attorneys. The fees will go towards the rehabilitation of the line now. Second, the current agreement has a lot of grey areas. There is no dispute resolution, etc. ORDC would not step into the City's shoes; they will negotiate a clear, new operating agreement. Commissioner Jackson asked if Executive Director Dietrich is comfortable with the current operator. Mr. Dietrich said the current operator has the right to the line, but ORDC cannot say yes or no yet because they have not begun negotiating the operating agreement.

Commissioner Jackson asked if ORDC would consider putting in the operating agreement the flexibility to choose the operator. Director Dietrich said the operator, contractually, has the rights to the line and the only way to try for a new operator, outside of ORDC negotiating an operating agreement with them, is to let the lawsuit play out which is something ORDC does not want to happen because of the length of time it will take and the impact it will have on shippers.

Commissioner Rasmus noted that he is troubled by understanding the role of the Commission and it interfering with private contracts. Also, he is concerned with the public need and the City of Jackson realizing or not that they need a rail line, if not only for the jobs. Commissioner Rasmus also said the lack of shippers in attendance shows that they might not realize they need the railroad as well. He is concerned that ORDC interfered in this matter before it was even determined that the railroad is an integral part of the state's transportation needs. Commissioner Rasmus said he is not against stepping in, he just thinks there needs to be a demonstrated need or desire by these private entities to keep the rail line.

Chairman Bradley asked if there is a proposed timeline for this take over. Executive Director Dietrich explained ORDC is performing their due diligence and it will take time. He also asked the Commissioners not to use the term interference because ORDC was sought out for assistance and laid out various scenarios which the city and the rail line chose ORDC to take over ownership. Mr. Dietrich also said ORDC has heard from the shippers and they are in support of the transfer of ownership but it is not the time to bring them in to the Commission Meetings. Staff is currently assessing the situation and simply briefing the Commissioners. Commissioner McOwen said this is clearly just the beginning and there are a lot of questions that need to be answered. He encouraged everyone with questions to contact him or Director Dietrich so they can review and discuss them to the satisfaction of the entire Commission.

Chairman Bradley reiterated that there was no Economic Development Committee meeting held.

Commissioner Jackson reviewed the topics discussed by the Human Resources Committee. He explained that Ms. McClory provided an overview of the survey that commissioners were asked to complete as preparation for the scheduled October retreat. Due to the retreat's cancellation, the HR Committee has been asked by Chairman Bradley to review the survey results. Commissioner Sowers stated the committee members agreed that they are concerned with the response rate from Commissioners, as only 6 of 11 voting commissioners completed the survey. Commissioner Jackson and Commissioner Sowers feel this is an appropriate task for the committee to consider, but believe all voting members should submit a survey for consideration.

Commissioner Sowers raised a question as to whether Commission retreats count as regular meetings for the purposes of the attendance requirement in section 3.17 of the Ohio Revised Code. ORDC's legal counsel, Mr. Alan Klodell advised that they should be included. It was acknowledged that there needs to be a good reason to have a retreat. Commissioner Jackson pointed out the rapidly changing nature of the railroad industry and expressed that it is difficult for commissioners to make decisions without the big picture. He suggested structuring retreats from that vantage point. Discussion about retreats could come out of the survey results discussion, but he would like railroads to be involved in retreats and the retreats to be a learning tool for commissioners.

Ms. McClory provided a brief overview of the DERG fee schedule that was distributed to committee members, as well as the request that the committee consider safety requirements for ORDC staff. Commissioner Jackson offered the services of Norfolk Southern safety crews to assist in the safety training of ORDC staff, if requested. Ms. McClory would like to lead by example in railroad safety and would like to look at ODOT and the railroad safety standards to base ORDC training off of. Due to the number of items for committee discussion, Chairman Jackson stated the committee will be having another meeting after Thanksgiving to finish discussing the issues they were unable to get to today.

Chairman Bradley agrees that if there is anything ORDC can do to keep its staff safe, we should do it. He asked the committee to invest in this issue and create a safety training procedure.

OLD BUSINESS

There was no old business to come before the Commission.

NEW BUSINESS
There was no new business to come before the Commission.

PUBLIC COMMENT
Suhas Vaze from Edison Welding Institute was introduced by Executive Director Dietrich. He spoke about the facility visit available to the Commissioners and public after the meeting. A hard copy of his presentation was made available to all the Commissioners at the visit as well as via email after the meeting.

Art Arnold acknowledged all the hard work and knowledge Commissioner Wolfe brought to the Commission and that he will be greatly missed by the entire industry. He also noted that Stu Nicholson's work will be missed and he did a tremendous job over the past years getting out economic and safety information about the rail industry to a lot of people.

EXECUTIVE ORDER 2011-03K: FRAUD AND ETHICS TRAINING
Chief Legal Counsel Patrick Piccininni presented ODOT's Fraud and Ethics Training Course to the Commissioners.

ADJOURN
Chairman Bradley adjourned the meeting at 1:32 p.m.

TO: ORDC Commissioners

FROM: Matthew Dietrich

SUBJECT: January 2012 Executive Director's Report

This document reflects the accomplishments and highlights of the Ohio Rail Development Commission since the November Commission Meeting.

1. Panhandle Long Term Agreement Activity:

   a. First, we conducted the outreach meetings which are summarized below.

      The input we received at the first meeting, in Dennison, focused on excursions and the preservation of the Polar Express. The community felt it is most important for the Dennison Depot to have the security in place to make long-term investments, just as the rail line does. They worry the language in the agreement may open up excursion days to other companies and request that the language be tightened up to explicitly allow the Depot the use of those ten (10) days. This excursion operation has a significant economic impact on Tuscarawas County of over $270 million so the earlier the Depot can market in future years, the better it will be. The Polar Express accounts for 45% of the Depot's operating budget as well, so it is preferable to reach a long-term agreement with the railroad prior to the finalization of the ORDC/Ohio Central agreement. Community members also wanted to know if the state can extend any type of immunity for the Depot in regards to insurance for the excursions. Lastly, there was the question of why a 25-year lease when the state has been working with Ohio Central in 5-year increments. In addressing the length of the lease, the Ohio Rail Development Commission explained that given the history of the line, it made sense. In the rail industry, there are a lot of leases of various lengths and a 25-year agreement is where the ORDC's comfort level is; it is long enough to justify some of the long term investment concerns of the rail operator, but is short enough for them to feel comfortable that adjustments can be made. As far as immunity for the insurance requirement on excursion lines, the state cannot indemnify the Depot or the railroads from this. Lastly, ORDC recognizes the investment the Depot has with their excursions, but what they tried to do is also recognize that this line runs all the way from Columbus to Mingo Junction and they cannot make the excursion days exclusive to the Dennison Depot or to any one company. Also, the number of excursion days will not be extended past ten (10). The railroad agrees, especially considering the excursions are not profitable to them. The Ohio Central is, however, talking to the Depot about having a multi-year agreement so that at least six (6) days are held for Polar Express. This gives other interested communities opportunities for at least four (4) days to hold their own excursions.

      The input at the second meeting, in Newark, was more focused on the community's desire to preserve the railroad, their businesses, fair and competitive pricing and their land's history. There was a strong showing of support by the Newark Earthworks Center and The Ohio State University-Newark to establish the awareness and preservation of the Munsee Native American burial grounds located below the railroad tracks and right-of-way. Concerned citizens also urged

the Ohio Central to increase road crossing maintenance, with specific locations cited as particularly problematic. There was the suggestion that the maintenance of railroad crossings be a metric in the agreement. Another question was Genesee and Wyoming's customer service and shipper satisfaction; attention was drawn to the fact that from 2009 to 2010 their customer service was lacking and how will the state ensure the customers remain satisfied throughout the 25 years of the new lease. While there were these various specific concerns, the overall feedback at this meeting was positive. The city of Newark and Licking County as a whole are very proud of the partnership between the state and the railroad. They are thrilled the line was not abandoned in 1992 and feel very lucky to have the railroad as a very valuable economic asset, especially with the recent shale developments in Eastern Ohio. In addressing the history and cultural preservation of the Munsee Native American burial mounds, ORDC and the Ohio Central were both unaware that the railroad was laid directly over such areas and all future precautions will be taken in accordance with the law. The railroad also expressed to the public that they do not have any plans for development, only maintenance, in the area. Concerning the maintenance and upkeep of railroad crossings, the Ohio Central acknowledged that this is an area of concern, with over 300 crossings to repair from neglect in years past, and will consider adding provisions to the lease to prevent future neglect. Lastly, in addressing shipper satisfaction, the ORDC explained that there are provisions in the new lease that requires the operator to meet specific criteria every two (2) years. The railroad actually performs these surveys more often than what the prior ORDC leases required. The Ohio Central also explained that they are aware their customer satisfaction was not where they wanted it to be those first two (2) years of operation under Genesee and Wyoming. In part, the economy was to blame, but their numbers have recovered and they want to remain at that level of satisfaction, if not higher, for the duration of the long-term lease.

b. In addition to the meetings, ORDC received individual comments from the stakeholders listed in attachment A to this report. It is staff intent to respond individually to those who have written in with a copy of the revised agreement and a narrative explaining how we addressed their specific concerns, if that is applicable.

c. Staff is now working with the Ohio Central to finalize a draft agreement that considers the concerns expressed during the public outreach process.

d. Staff, with the assistance of the Attorney General's office, has retained Keith O'Brien, legal counsel with extensive STB experience, to review the agreement on behalf of the ORDC.

e. There will be a Panhandle Subcommittee meeting February 17th from 1:00 pm to 4:00 pm with the express purpose of recommending a draft final agreement for Commission approval at the March meeting.

2. Workforce Conversations: In following an effort initiated by ODOT Director Wray in ODOT, ORDC also conducted "workforce conversations" with its staff. These informal meetings allowed me to meet one on one with staff members to discuss issues both big and small affecting them at work. I will now be working with Susan, Lou and Megan to come up with strategies to address the items identified in those meetings.

3. Safety Summit: As reported at the November meeting, the ORDC and PUCO conducted its grade crossing summit on December 7th in Columbus. In total we had an attendance of 49 individuals representing: Operation Lifesaver, Ohio Rail Association, ODOT Auditing, CSX, NS, Rail America, Ashland Railway, Camp Chase, Ohio Central, Cleveland Commercial, RJ Corman, Maumee and Western, Progress Rail, other rail consulting companies and even a representative from North Carolina DOT. ORDC rolled out its new procedures for implementing grade crossing safety programs and PUCO and ORDC jointly discussed some of the challenges that we are experiencing regarding the administration and oversight of grade crossing warning devices in the state. Overall, feedback that staff and I received from the meeting was positive. From my perspective, the most important element to the meeting was the forum it provided for dialogue among the participants. One of the main tasks coming out of the meeting is the development of new agreements covering the grade crossing work. Alan Klodell is leading that effort for the ORDC.

4. Project Development and Oversight: As we have discussed before, because of the stimulus funding, ORDC is administering approximately $173 million in ongoing projects above our normal project budgets. Much of the staff time this fiscal year has been dedicated to existing project oversight. In addition, we have a number of spur projects currently in development. For the grade crossing program, ORDC and PUCO staff are completing the evaluation of 60 projects for light and gate installations.

5. Other Staff Activity: Staff has spent a great deal of time providing other organizations support on rail elements of their projects. We are providing our assistance to two communities with the establishment of new grade crossings to serve new development sites; we have met and are providing information to MORPC for their regional freight study; staff is attending an event in sponsored by the Youngstown Chamber of Commerce identifying strategic rail infrastructure needs in the Youngstown area and Don Damron is participating with ODOT on the statewide freight study.

6. Program reviews: Along with the additional funding opportunities have come additional oversight:

    a. The US DOT Inspector General has completed a review of TIGER 1 projects including the CSX National Gateway project. ORDC is awaiting the copy of that report. Additionally the FHWA National Review Team has also reviewed the project. The only finding from that report is the need for the documentation to be accessible to the project manager on-site.

    b. As follow-up to the May review by the FHWA National Review Team, Megan and I met with representatives from FHWA Ohio Division to follow-up on seven items identified through that review. I am happy to report there were no major issues identified by the review team and all of the items have already been addressed or are in process of being addressed by ORDC. A copy of the report is attached.

    c. Also attached is a letter from Office of Budget and Management, Office of Internal Audit (OIA) who is reviewing ORDC's procedures developed to administer its programs.

Organization	Support/Against	Requests	ORDC Action/Response
Coshocton Port Authority, Gary Fischer (Commissioner), Dane Shryock (Commissioner), Curtis Lee (Commissioner), Steve Mercer (Mayor), Fred Wachtel (Engineer), Charles Selders (Tusc. Trustee), Donald Brown (Tusc. Trustee), Don Wells (Tusc. Trustee), Curtis Garber (Crawford Trustee), Brian Troyer (Crawford Trustee), Matt Coblentz (Crawford Trustee), Larry Boal (Franklin Trustee), Dennis Balo (Franklin Trustee), Dean Shroyer (Franklin Trustee)	Support	A clause be added to the lease which allows for local government to be granted easements for purposes of constructing public infrastructure to support economic development activities **at no cost to local government** with a stipulation that construction and maintenance costs for such infrastructure be assumed by local government. *If Franklin Township chooses to construct infrastructure connecting to the railroad, only then would the township agree to pay for construction and infrastructure.	
Orrville Railroad Heritage Society	Support	Concern that there is no language in either Article XII or Article XIII about trains operated by a railroad other than the C&OR. The Wheeling and Lake Erie Railway was able to operate the Orrville to Pittsburgh excursion trains between Bowerston and Jewett until GWRR purchased the line. Request a section 13.10 be added in the lease which would state that a railroad which has the right to operate freight trains over part of the line also has the right to operate passenger excursions over the same part, under terms and conditions satisfactory to the railroad holding the right to operate.	
Dr. Richard Shiels, Director of Newark Earthworks Center	Support	Request the lease include provisions for protecting the burial ground in the event of any future maintenance or development which might include excavation.	
Rick Platt, Director of Heath-Newark-Licking County Port Authority	Support	Requests the line have open access, maintain state stewardship, remain in a public-private partnership and the state never sell it.	

Organization	Support/Against	Requests	ORDC Action/Response
Bill Callison, Wheeling and Lake Erie Railway		Concern that the lease is not subject to competitive bid. Believe that the lease could be better drafted to enhance the public benefits intended for Article III, Non-Exclusive Freight Operations. Suggest overhead rights to new customers could be simplified and made subject to industry standards. By maintaining overhead rights, the State of Ohio could both ensure some level of competition and to provide limited rail access toward the goal of better utilization of this public right of way. Overhead rights would allow Ohio to have the competitive advantage of interchange to an Ohio railroad with access to or from Ohio river ports or Lake Erie ports for commodities. This limited access of overhead rights would have strategic Ohio advantages without issues related to "open access" to the Operator's current customers.	
MORPC		Requests: Preserve Competition- provisions in the lease should maintain competition on the line by guaranteeing access by other railroads. Performance Standards- provisions in the lease should require performance measures to be met to avoid default before the term is completed. Area Reinvestment- it is crucial the proceeds of the long-term lease be used to capitalize on the state's investment in this line, particularly for new and enhanced rail connections to businesses. State Ownership- it is important that the State ownership is retained to maintain the complete route and business model that is not likely to be served by Class I railroads.	

5

Organization	Support/Against	Requests	ORDC Action/Response
Greg DiDonato, Ohio Mid-Eastern Governments Association	Support		
Andy Cross, Logistics Manager, international Paper	Support	Ohio Central just needs to continue to look for ways to improve service to the shippers and keep the branch line in good working order.	
Dee Grossman, Executive Director, Tuscarawas County Convention & Visitors Bureau	Support	Encourage ORDC to set a schedule for passenger service and excursions well in advance of the dates of the trips. Preference to Dennison Depot when awarding excursion trips on "first come, first serve" basis.	
Daniel VanEpps, Executive Director, Stillwater Valley Community Improvement	Against	Provided presentation with various questions and concerns about line function and policies .	

American Recovery & Reinvestment Act

(Recovery Act)

NATIONAL REVIEW TEAM ACTION PLAN REPORT			
STATE	REVIEW ID	DATE OF REVIEW	RISK AREA(S)
39 - Ohio	OH20110523	05/23/2011	CAD, LPA, DQI
FEDERAL PROJECTS REVIEWED		REVIEW TEAM	
E090534, E090559, E090663, E090851, E090876, E090992, E091190, E091192		George Jones, Matt Lupes, Denise Bednar and Tom Goldstein	

PROGRAM LEVEL OBSERVATIONS	
Priority:	1
Risk Area:	LPA
Observation:	It took the review team two days to understand the operating procedures of the Ohio Rail Development Commission (ORDC). This was due to the team's lack of knowledge of railroad project procedures and the roles and responsibilities of the stakeholders. It is our understanding that a procedures manual is being developed in part to provide a consolidated location for this information.
Recommendation:	The FHWA Ohio Division office should work with the ORDC to assist in the process of developing a procedures manual. By doing so, the Division and all stakeholders will become more familiar with the processes and procedures of the ORDC and will ensure the required federal provisions are incorporated into the procedures manual.
Compliance Issue:	N
Action:	The Division Office is working with ORDC to adopt FHWA railroad program manual as amended to fit Ohio.
Responsible Person:	Jason P. Spilak
Target Date:	6/1/2012 **Updated Target Date:**
Status:	Open
Accomplishments:	
Priority:	2
Risk Area:	LPA
Observation:	In a conversation with the ORDC, the process of estimating costs for federal authorization of safety projects was described. ORDC currently assigns an estimated cost of $190,000 per "average" grade – crossing based on past cost history. When crossings are more complex than "average," a change request is needed for additional funds. ORDC informed the team that a new process, utilizing a checklist during the diagnostic review, would allow the diagnostic team to identify specifics for each crossing that later would be used to develop a more accurate estimate.
Recommendation:	The FHWA Ohio Division should work with the ORDC in the development of the diagnostic checklist document to ensure a complete document is developed and to gain a better understanding of railroad grade crossing safety projects.
Compliance Issue:	N
Action:	Checklists will be developed and possibly included with suggested manual above.
Responsible Person:	Jason P. Spilak
Target Date:	1/1/2012 **Updated Target Date:** 1/31/2012
Status:	Open
Accomplishments:	
Priority:	3
Risk Area:	LPA

Observation:	Various steel items on projects reviewed were missing the required Buy America certifications. One example involved the steel liner used in the rehabilitation of a tunnel. 23CFR635.410 requires all steel incorporated on Federal-aid projects to meet Buy America requirements.
Recommendation:	The FHWA Ohio Division should work with ORDC to ensure Buy America certifications are provided for all steel placed on Federal-aid projects.
Compliance Issue:	Y
Action:	Ohio Division to work with ORDC and approriate parties to share specifics on these requirements.
Responsible Person:	Andy Blalock
Target Date:	12/31/2011 **Updated Target Date:** 1/31/2012
Status:	Open
Accomplishments:	
Priority:	4
Risk Area:	LPA
Observation:	The start of two projects was delayed six to twelve months after the projects' bid openings. Three other projects exceeded the contract completion time without time extension change orders or accessed liquidated damages. Delaying the start of projects after a bid opening can affect the Contractor's submitted prices or ability to schedule work for that project.
Recommendation:	The FHWA Ohio Division should work with ORDC to ensure projects start at a reasonable time and once started, contract time requirements are adhered to.
Compliance Issue:	N
Action:	Ohio Division to work with ORDC and approriate parties to share specifics on these requirements.
Responsible Person:	Jason P. Spilak
Target Date:	12/31/2011 **Updated Target Date:** 1/31/2012
Status:	Open
Accomplishments:	
Priority:	5
Risk Area:	LPA
Observation:	The Master Agreements in place for ORDC's Rail-Highway Crossing Safety Program are out dated. One master agreement was from 1975, another was from 1990.
Recommendation:	The FHWA Ohio Division should encourage ORDC to update the old Master Agreements that are in place for the Rail-Highway Crossing Safety Program.
Compliance Issue:	N
Action:	Have instructed ORDC to work on this.
Responsible Person:	Andy Blalock
Target Date:	12/31/2011 **Updated Target Date:** 1/31/2012
Status:	Open
Accomplishments:	
Priority:	6
Risk Area:	LPA
Observation:	The backup documentation for change orders does not provide a cost analysis verifying the contractor's submitted price on new pay items or a time analysis showing the added time is justified due to affects on the controlling items of work. A cost analysis should include verification of the Contractor's price against past bid history or an independent estimate.

Recommendation:	The FHWA Ohio Division should work with ORDC to ensure the backup documentation for change orders includes verification of the Contractor's prices and justification of time extensions.
Compliance Issue:	N
Action:	Ohio Division to work with ORDC and approriate parties to share specifics on these requirements.
Responsible Person:	Jason P. Spilak
Target Date:	12/31/2011 **Updated Target Date:** 1/31/2012
Status:	Open
Accomplishments:	
Priority:	7
Risk Area:	DQI
Observation:	On the projects reviewed where a DBE goal was established, the ORDC entered the DBE goal rather than the DBE commitment into the commitment field. In addition the DBE cumulative payments are not being entered for the ORDC projects that had DBE commitments.
Recommendation:	The FHWA Ohio Division should work with the ORDC to ensure that they are entering the commitment into the commitment field and that DBE payments are being entered into RADS.
Compliance Issue:	N
Action:	Ohio Division to work with ORDC and approriate parties to share specifics on these requirements.
Responsible Person:	Andy Blalock
Target Date:	12/31/2011 **Updated Target Date:** 1/31/2012
Status:	Open
Accomplishments:	

PROJECT LEVEL OBSERVATIONS

REVIEW SUMMARY

From May 23rd to May 27, 2011, the FHWA National Review Team visited Ohio where it conducted an independent review of American Recovery and Reinvestment Act (ARRA) projects involving Ohio Rail Development Commission (ORDC). ORDC is an independent agency within the Ohio Department of Transportation that is responsible for developing, promoting and supporting safe, adequate, and efficient rail service throughout the state; maintaining adequate programs of investigation, research, promotion, planning, and development for rail service, which programs shall include consideration of recommendations by public or private planning organizations; and providing for the participation of private corporations or organizations and the public in the development, construction, operation, and maintenance of rail service, and as franchises of rail service. The review covered eight projects related to railroads including two highway-rail safety projects, six highway-rail construction projects and one LPA project. The review was conducted similar to an LPA review and covered program questions related to organizational structure and staffing, delegation of authority, and policies and procedures as well as more project specific questions related to the PS&E, Contract Administration, and Quality Assurance. The PS&E questions covered areas involving planning and environmental; FMIS authorization; plans; project proposal; engineer's estimate; right-of-way and utilities; and advertising, bidding, and awarding. Contract Administration and Quality Assurance includes Federal requirements, staffing, documentation including diaries and pay items quantities, change orders, materials certifications, sampling and testing, etc. It should be noted that the reviews were limited to documentation at the central office and therefore, the team did not have access to all project records. Overall, ORDC's Program appears to comply with Federal requirements. However, there are areas in need of improvement in which the creation of a procedures manual would be of great assistance. As a complement to this report, a Supplement Report has been provided to the FHWA Ohio Division Office. The Supplement provides additional information learned by the NRT during the review that may be helpful to the

Division office.

OVERALL RISK ASSESSMENT

	CAD	LPA	DQI
Satisfactory:		X	
Needs Improvement:			
Unsatisfactory:			
Not Rated:	X		X

ADDITIONAL POTENTIAL RISK AREAS

*** This review is a revisit**

OBM | Office of Internal Audit

ANNOUNCEMENT MEMORANDUM

To: Matthew Dietrich, Executive Director, Ohio Rail Development Commission
From: Gregory Mason, Audit Section Chief, OBM Office of Internal Audit
Date: November 17, 2011
Subject: Ohio Rail Development Commission (ORDC) Consulting Engagement

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Pursuant to its charter and in accordance with the fiscal year 2012 audit plan, the OBM Office of Internal Audit (OIA) will assist ORDC in evaluating its internally developed procedures in order to identify areas for enhancement.

The scope of the consulting engagement will consist of a review of the procedures developed to administer the "Highway/Railroad Crossing Safety Improvement Program" and the "Track Rehabilitations and Spur and New Track Installation" program. We will assist ORDC's management in updating or preparing the process diagrams that complements the procedures. Throughout the course of the engagement, OIA will continually update management of our progress, including areas of concern and potential recommendations.

At the conclusion of the engagement, we will schedule an exit meeting to discuss our observations and other relevant matters for management's attention. A final memo will contain OIA's recommendations of best practices for ORDC's management's consideration.

We will provide a summary update of the results of this engagement to the State Audit Committee at the executive session.

We would like to schedule a formal entrance meeting with you the week of November 28, 2011 to discuss our process, timing and deliverables.

If you have any questions regarding this initiative, contact me at 614-728-5391 or gregory.a.mason@obm.state.oh.us.

Thank you.

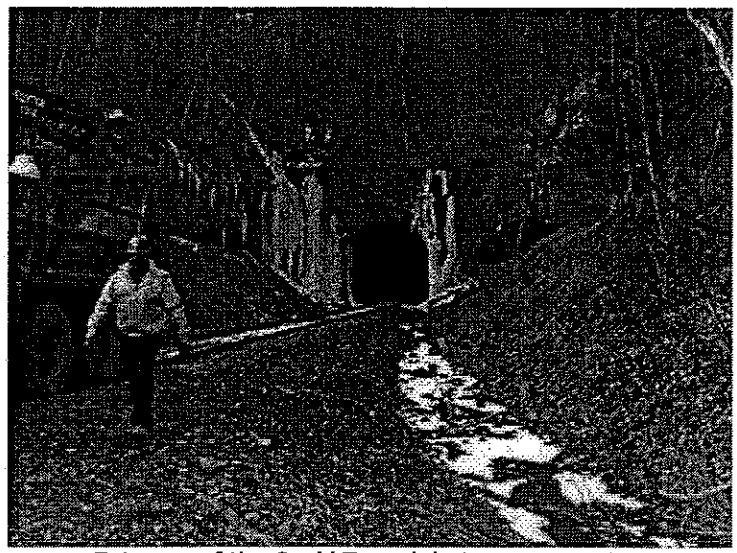
cc: Julie Ray, CFO, Department of Transportation
Joe Bell, Chief Audit Executive, OBM Office of Internal Audit

A muddy situation in the Gould Tunnel

Thursday, November 03, 2011

Atlas Railroad Construction, LLC, performs a major rehabilitation project on a nearly century-old tunnel in eastern Ohio.

by Jennifer Nunez



Entrance of the Gould Tunnel during construction.

In the spring of 2010, Atlas Railroad Construction, LLC, which is owned by RailAmerica, embarked on a $7 million tunnel rehabilitation project for Genesee & Wyoming Inc. in Jefferson County, Ohio, which provided one major challenge, mud.

The Gould Tunnel, located on Columbus & Ohio River Railroad, part of the Ohio Central Railroad, a nearly century-old structure near Steubenville, Ohio, underwent major reconstruction, improving the operations and safety of the tunnel.

The project, which lasted from April 2010 to November 2010, was funded by the American Recovery and Reinvestment Act (ARRA) of 2009 and a Transportation Investment Generating Economic Recovery (TIGER) grant.

The Gould Tunnel project included: 2,023 square feet of gunite repair or shotcrete, 300 linear feet of steel liner installation, 3,300 linear feet of track replacement, 3,300 tons of ballast replacement, 3,300 feet of track surfacing, 40,000 crossties, 25,000 linear feet of rail and utilized approximately 25,000 man hours. Additionally, Atlas repaired a bridge structure outside of the tunnel and provided 500 bridge timbers for the project.

Those man hours were performed by a superintendent, foreman, mechanics, operators and laborers; approximately 20-plus field personnel.

Prior to any work being done in the tunnel, the tunnel was stabilized with existing crossbeams to hold the walls in place. Beams were removed during the liner installation process. Being a general contractor and full turn-key company, Atlas contracted-out portions of the project to various suppliers like Loram Maintenance of Way, Inc., and RG Johnson. Atlas self-performed the bridge repair.

Atlas Railroad Construction says the most challenging part of the project was removing mud, water and debris from the tunnel. Vacuum trucks were utilized and took two months to complete the work under train traffic.

"Prior to removing mud and debris from the track, Atlas established drainage ditches to dry out the mud." explained Karen Johnson, director of business development of Atlas Railroad Construction, LLC.
Harold Tynes, president of Atlas, added, "That's the nature of tunnel work, it's damp, dark, restricted space, with ventilation issues."

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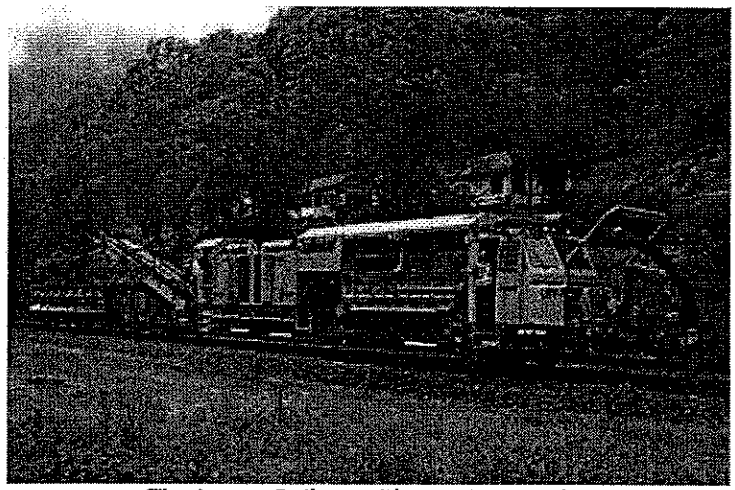


The Loram Railvac with rotating nozzle.

Atlas hired Loram Maintenance of Way, Inc., to furnish and operate a vacuum truck to break up and suck up the mud. The work was performed utilizing a Loram Railvac® Excavator, which is an excavation, rail-mounted machine that conveys material through vacuum and airflow at 10,200 cubic feet per minute. Loram's Railvac was able to undercut all the fouled clay ballast material from tunnel wall to tunnel wall at depths up to 12 inches below the bottom of the tie.

The Railvac is equipped with a rotating nozzle capable of breaking up the toughest, most compacted, cemented ballast material. Excavated material is then deposited temporarily in a main storage hopper prior to complete disposal via a rear waste conveyor 35 feet from track center on either trackside or into an air dump or gondola.

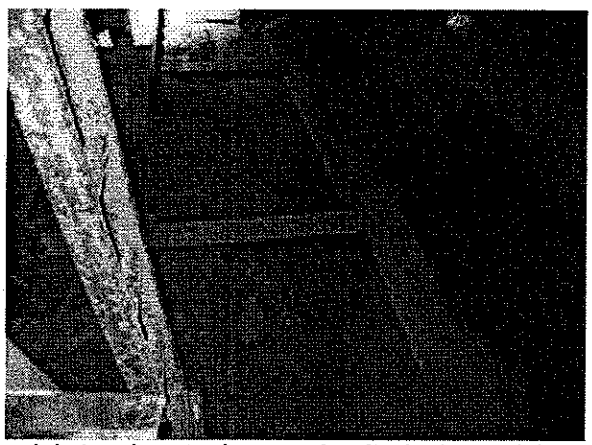
"Considering the extreme clay and compact type material, the excavation process was extremely challenging," noted Gary Kohnert, regional sales manager at Loram, "It would be as if trying to suck a Wendy's frosty through a straw, when you really needed a spoon. The density and the gluey make up of the material was so severe that on some occasions, we needed to inject water into the material to create a more manageable liquid material."

In addition, he says, the floor of the tunnel proved to be a challenge as it consisted of shale. With the consistency of the mud, dirt and debris mixed together, the floor was difficult to locate at times.
Loram notes that other machines were used and/or considered, but did not end up working out because of the tight clearances or the inability to handle the sticky, heavily fouled ballast material.

Prior to the mud removal, Atlas contracted RG Johnson to perform the gunite work to stabilize various sections of the tunnel. Then, RG Johnson put in the steel liner, which took two and a half months to complete.

Another challenge Atlas faced during this project was timing.

Atlas had a 10-hour curfew from trains most days and had to tie up each evening for train traffic. Despite the challenges faced with the Gould Tunnel project, Atlas and its business partners successfully completed the project on time and on budget.



Prior to any work being done in the tunnel, Atlas had to stabilize the walls with crossbeams in order to hold them in place.

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MEMORANDUM
January 11, 2012

TO: ORDC Commissioners
FROM: Megan McClory
SUBJECT: Finance Report

Accomplishments and Highlights of the Finance Section from November 2, 2011 to January 11, 2012:

1. **Finance Reports.** Staff has prepared statements to reflect current outstanding loans, revenue collection, and project balances.

2. **Commission Retreat.** A Commission Retreat has been scheduled for Thursday, April 19, 2012, at Highbanks Metropark just north of Columbus. Please hold this date on your calendars.

3. **Loan Repayments.** Final payments were received this month on ORDC loans to the Maumee & Western (rehabilitation) and the Lancaster Port Authority (spur construction for US Corrugated facility). In addition, Deltech Polymers paid off its loan early. The amortization schedule called for the loan to be repaid in 2015.

4. **ARRA Projects.** ORDC continues to work with ODOT to administer approximately $70 million of Ohio's ARRA funds for rail-related projects. All projects have been authorized by the Federal Highway Administration for funding and are in various stages of construction and completion. *(Updates since the November report are italicized.)*

   Project Updates:
   - Camp Chase Bridge over West Broad Street (Columbus): Construction is complete.
   - Cleveland Commercial Railroad tie replacement: Construction is complete.
   - RJ Corman Western Ohio Lines tie replacement and surface reconstruction: Construction is under way.
   - City of Jackson rail line rehabilitation: Construction is complete.
   - Panhandle Rail Line rehabilitation: Construction is complete.
   - Heartland Corridor Extension to Cincinnati (NS): *Construction is nearly complete. All vertical clearances have been achieved and the first double-stack trains are expected in early January.*
   - Wheeling & Lake Erie Railroad rehabilitation: Construction is complete.
   - Airline Yard Intermodal Facility (NS): Construction is *nearly complete.*
   - West Central Ohio Port Authority (WESTCO) tie replacement, surface reconstruction, and bridge rehabilitation: Construction is complete.
   - City of Medina rail line rehabilitation: *Construction is complete.*
   - City of Youngstown/Brier Hill Industrial Park: Construction is underway.
   - Toledo Shipyard (Toledo/Lucas County Port Authority) Rail Spur: Construction is complete.
   - General Cargo Facility 1 (Toledo/Lucas County Port Authority) Rail modernization: Construction is complete.

- CSX National Gateway Vertical Clearances: In support of the National Gateway Initiative, there are four roadway bridges being replaced, one roadway bridge being removed, and two railroad interlockings being constructed. Construction contracts are moving forward. *The design-build contract work is underway for the replacement of the Mud Lake Road bridge in Medina County, the Knapp and Rock Spring Roads bridges in Portage County, and the 5th Street bridge in Trumbull County.* The removal of the Park Street Bridge in Akron is complete. Construction of the railroad interlockings at Kent and Ravenna is underway *and will be finished in the spring of 2012.*

5. **Washington Township, Hancock County.** A payment of $7,500 was issued to Washington Township in Hancock to close out a grade crossing closure project.

6. **OBM Internal Audit Consulting Engagement.** The Office of Budget and Management's Office of Internal Audit has been working with us to review the project development processes that have been written for safety projects and for grant projects. They have expertise in process documentation and are suggesting modifications that we can make to these draft documents to make them even more thorough.

ORDC - Loan Payback (Active Loans)
January 5, 2012

	Loans	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	App, Loan, Interest & Admin. Fees	Total Payments
*FY04 Columbiana County Port Authority **	*$2,098,047*	*$1,187,955*						***$112,722***	***$2,210,768***
FY04 Maumee & Western **	$199,088	$17,209						***$8,460***	***$207,548***
FY07 Marion Industrial Center *	$273,000	$68,569	$22,856					***$32,078***	***$305,078***
FY07 WESTCO *	$308,000	$50,026	$50,026	$50,026	$25,013			***$35,760***	***$343,760***
FY08 WESTCO (Sugar Creek Bridge) *	$280,417	$43,189	$43,189	$43,189	$43,189	$17,995		***$20,147***	***$300,565***
FY07 Village of Leipsic *	$825,000	$135,713	$135,713	$135,713	$135,713	$67,857		***$52,702***	***$877,702***
FY09 Lancaster Port Authority **	$145,163	$29,017						***$4,911***	***$150,074***
FY09 WESTCO (Springfield/WCH) *	$400,000	$60,079	$60,345	$60,345	$60,345	$60,345	$5,029	***$20,513***	***$420,513***
FY09 Maumee & Western (HotStart) *	$90,000	$18,397	$18,700	$18,700	$17,142			***$3,871***	***$93,871***
FY10 Deltech Polymer **	$337,457	$283,322						***$5,983***	***$343,440***
FY10 Ashland Railway *	$280,000	$56,419	$58,512	$58,512	$58,512	$48,760		***$13,349***	***$293,349***
FY10 New Horizons Baking Company *	$50,000	$9,167	$10,411	$10,449	$10,449	$10,449	$871	***$2,795***	***$52,795***
FY06 Wheeling & Lake Erie ***	$150,000								
FY08 MGQ, Inc. ***	$300,000								
FY08 City of Jackson ***	$300,000								
FY11 MPR Supply Chain Solutions ***	$250,000								
FY11 American Rail Center ***	$500,000								
FY11 D&L Energy Rail Spur ***	$163,000								
FY11 Novotec Rail Spur ***	$100,000								
	$7,049,172	**$1,959,063**	**$399,754**	**$376,935**	**$350,364**	**$205,406**	**$5,900**	***$313,289***	***$5,599,461***

Loan Amount Received to Date: **$586,406**
Loan Balance Due: **$1,372,657**

*Loans Active
**Loans Paid Off
***Loans in Process

DC

Revenue Received FY 2012
December 2011

Name	CT #	Invoice #	Reimbursements 7002/GRF	Reimbursements 4N4(53490)	Gas & Oil Leases, Royalties and Other - 4N4 (49995)	ORDC Loan Payment - 4N4 Fees (29991)	ORDC Loan Payment - 4N4 Princ. (79955)	ORDC Loan Payment - 4N4 Inter. (79956)	Running Total
Ashland Railway	Electronic Transfer						4,666.67	0.00	315,769.75
Deltech Polymers	Electronic Transfer						5,418.40	458.20	321,646.35
New Horizon Baking Co	Electronic Transfer						833.33	0.00	322,479.68
Lancaster Port Auth	Electronic Transfer						4,126.90	18.37	326,624.95
MIC	Electronic Transfer						5,433.80	280.32	332,339.07
Maumee & Western (Rehab)	Electronic Transfer						2,450.30	8.17	334,797.54
Maumee & Western (HotStart)	Electronic Transfer						1,478.19	52.63	336,328.36
Village of Leipsic	Electronic Transfer						10,143.88	1,165.57	347,637.81
WESTCO #1 (bridge)	Electronic Transfer						3,555.76	613.07	351,806.64
WESTCO #2 (bridge)	Electronic Transfer						3,192.59	406.5	355,405.73
WESTCO #3 (rehab)	Electronic Transfer						4,545.60	483.19	360,434.52
MFC Drilling	33	RA003011			250.00				360,684.52
NCL Natural Resources	33				759.97				361,444.49
Aqua Ohio, Inc.	34	RA002911			307.48				361,751.97
Resource Energy	35				44.15				361,796.12
Deltech Polymers Corporation	36	loan payoff					248,350.52	216.90	610,363.54
NGO Development Corp	37				37.28				610,400.82
Jefferson County Water & Sewer	38	RA003811			500.00				610,900.82
Genesee & Wyoming Inc.	38	RA004211			2,500.00				613,400.82
		Monthly Total	0.00	0.00	4,398.88	0.00	294,195.94	3,702.92	302,297.74
		Grand Total	7,830.99	0.00	77,717.54	500.00	515,288.65	19,894.63	613,400.82

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OHIO RAIL DEVELOPMENT COMMISSION
APPROPRIATION LEDGER
Month Ending December 31, 2011

FUND	SAC	FEDERAL STATE/OTHER	ORIGINAL APPROPRIATION	TRANSFERS	UNASSIGNED	ADJUSTED APPROPRIATION	OPEN ENCUMBRANCES	TOTAL DISBURSED	UNENCUMBERED BALANCE	PERCENT UNOBLIGATED	SAC DEFINITION
GRF	4FA5	STATE	1,363,500.00	(14,400.00)	0.00	1,349,100.00	112,500.00	0.00	1,236,600.00	91.66%	GRANT (ALL)
GRF	4FA7	STATE	0.00	9,400.00	0.00	9,400.00	9,400.00	0.00	0.00	0.00%	GRADE CROSSING SURFACE RECON
GRF	465M	STATE	24,500.00	0.00	0.00	24,500.00	0.00	6,587.96	17,912.04	73.11%	PERSONAL SERVICE/OTHER
GRF	4651	STATE	568,000.00	5,000.00	8,481.78	564,518.22	0.00	303,036.22	261,482.00	46.32%	PAYROLL
GRF	4652	STATE	44,000.00	0.00	0.00	44,000.00	2,708.00	8,625.49	32,666.51	74.24%	OFFICE EXPENSE
	FUND TOTAL		**2,000,000.00**	**0.00**	**8,481.78**	**1,991,518.22**	**124,608.00**	**318,249.67**	**1,548,660.55**	**77.76%**	**FUND TOTAL - GRF**
7002	4FN7	FEDERAL	1,124,800.00	5,680,976.96	0.00	6,805,776.96	4,673,938.53	757,442.83	1,374,395.60	20.19%	GRADE CROSSING PAVEMENT
7002	4FP7	FEDERAL	13,075,200.00	10,128,399.24	80,200.00	23,123,399.24	5,458,576.82	28,956.25	17,635,866.17	76.27%	GRADE CROSSING DEVICES
7002	4SP1	FEDERAL	865,000.00	(9,700.00)	57,011.03	798,288.97	0.00	382,006.97	416,282.00	52.15%	GRADE CROSSING SAFETY'S PAYROLL
7002	4SP2	FEDERAL	3,000.00	1,700.00	0.00	4,700.00	0.00	4,055.72	644.28	13.71%	GRADE CROSSING SAFETY'S TRAVEL
7002	4SPM	FEDERAL	7,200.00	8,000.00	0.00	15,200.00	8,690.00	6,510.00	0.00	0.00%	PERSONAL SERVICE SAFETY
	FUND TOTAL		**15,075,200.00**	**15,809,376.20**	**137,211.03**	**30,747,365.17**	**10,141,205.35**	**1,178,971.77**	**19,427,188.05**	**63.18%**	**FUND TOTAL - 7002**
4N40	6FC5	OTHER	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	
4N40	6FC7	OTHER	0.00	138,390.00	0.00	138,390.00	89,300.00	49,090.00	0.00	0.00%	RAIL TRAN - OTHER ASSISTANCE
4N40	6FC9	OTHER	1,856,000.00	(138,390.00)	0.00	1,717,610.00	0.00	17,175.00	1,700,435.00	99.00%	RAIL TRAN - LOANS
4N40	6FD9	STATE	764,300.00	0.00	0.00	764,300.00	0.00	0.00	764,300.00	100.00%	PANHANDLE LEASE PAYMENT
4N40	611M	OTHER	10,000.00	0.00	0.00	10,000.00	0.00	0.00	10,000.00	100.00%	COUNSEL - PANHANDLE LINE
4N40	6111	STATE	218,000.00	0.00	7,466.03	210,533.97	0.00	105,569.97	104,964.00	49.86%	PAYROLL(PROPERTY MGNT)
4N40	6112	OTHER	27,500.00	0.00	0.00	27,500.00	0.00	528.79	26,971.21	98.08%	PAYROLL(ASST. ATTORNEY GENERAL)
	FUND TOTAL		**2,875,800.00**	**0.00**	**7,466.03**	**2,868,333.97**	**89,300.00**	**172,363.76**	**2,606,670.21**	**90.88%**	**TOTAL - OTHER ASSISTANCE**
	GRAND TOTAL		**19,951,000.00**	**15,809,376.20**	**153,158.84**	**35,607,217.36**	**10,355,113.35**	**1,669,585.20**	**23,582,518.81**	**66.23%**	

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OHIO RAIL DEVELOPMENT COMMISSION: Finance Report (FY 2012) as of January 10, 2012

GRF APPROPRIATION AVAILABLE FOR PROJECTS

GRF APPROPRIATION FOR PROJECTS		1,349,100
LESS: BUDGET REDUCTION (net)		
LESS: PROJECTS ENCUMBERED or DISBURSED		
RJ Corman Wooster Line	**105,000**	
CUOH Neilston Line Rehabilitation/Crossover Relocation	**250,000**	
LESS: PROJECTS APPROVED BUT NOT ENCUMBERED		
W&LE Sandyville Line	**200,000**	
LESS: PROPOSED GRF COMMITMENTS FOR FY 2012		
ASRY Mansfield to Ashland Rehab	**400,000**	
TOTAL	*600,000*	*-600,000*
BALANCE OF GRF APPROPRIATION FOR PROJECTS		***749,100***

RAIL DEVELOPMENT FUND 4N40 - REVOLVING LOAN FUND	**Uses of funds**	**Spending Authority**	**Cash**
Cash Balance as of 11/2/11			6,427,527
LESS: OPEN ENCUMBRANCES (exc. CSX/FHWA)	2,218,222		
LESS: PANHANDLE RESERVE FUND	764,300		
TOTAL	*2,982,522*	*0*	*-2,982,522*
FISCAL YEAR 2012 APPROPRIATION		2,111,500	
LESS: PAYROLL AND OTHER COSTS (Budgeted)	255,500		
LESS: PROJECTS ENCUMBERED or DISBURSED			
River Corners-Pawnee Rd Acquisition (National Gateway)	**49,090**		
LESS: PROJECTS APPROVED BUT NOT ENCUMBERED			
Jamen Corporation	**350,000**		
LESS: PROPOSED COMMITMENTS FOR FY 2012			
TOTAL	*654,590*	*-654,590*	*-2,111,500*
APPROPRIATION BALANCE OF FUND 4N40 AVAILABLE FOR PROJECTS		***1,456,910***	
ADDITIONAL CASH BALANCE OF FUND 4N40 AVAILABLE*			***2,233,505***

**Funding projects beyond the appropriation balance would require Controlling Board approval.*

FY 2012 Project Balance Summary

Remaining GRF Appropriation for Projects	**749,100**
Remaining 4N40 Appropriation for Projects	**1,456,910**
Balance of ORDC Appropriations for Projects	**2,206,010**

PROJECT BRIEFING:
ASHLAND RAILWAY MANSFIELD TO ASHLAND REHABILITATION

January 10, 2012

Project Funding		Project Benefits
* ORDC Grant, Materials	$400,000	* Improves Safety
* ASRY Labor & Equipment	$323,360	* Eliminates Excepted Track/Raises Speed to 25
		* Improves RR Efficiency/Cuts Operating Costs
		* Helps Keep 475 Jobs at Rail Dependent Shippers
		* Helps Returns Line to Profitability

Introduction: Ashland Railway (ASRY) had requested that ORDC provide $1,515,105 in grant funding to rehabilitate 15 miles of its 31.5 mile long Mansfield to West Salem line. The $1.5 million project would extend from MP 267 near Mansfield to MP 252 at Ashland. ASRY proposed that ORDC provide this funding over a five year period. (ASRY also provided information on the Ashland to West Salem portion of the line; rehabilitation costs for the Ashland to West Salem segment would also cost about $1.5 million to rehabilitate making the cost of the rehabilitation of both segments about $3 million.)

Staff recommendations for the ASRY project are: 1) to provide ASRY $400,000 in grant funds in FY 2012 and/or FY 2013 funding for brush cutting and the purchase of materials (7,700 ties and 2,100 tons of ballast) to perform a portion of the overall project between MP 252 at Ashland and MP 259 south of Ashland; 2) to require a match from ASRY that includes the provision of labor and equipment to properly install ORDC purchased materials; and 3) require ASRY to continue coordinating with local officials to aggressively seek other sources of public funding for other portions of the West Salem Line (including the Ashland to West Salem portion of the line), possibly using ORDC funds as a match. ORDC Staff views this current project proposal as a first step toward helping to rehabilitate the entire Mansfield to West Salem Line.

Staff requests that Commissioners empower the Executive Director to expend the $400,000 in ORDC grant monies from the FY 2012 and FY 2013 GRF budgets at his discretion to give ORDC maximum flexibility in meeting possible match requirements from potential public funding sources.

BACKGROUND

Brief History of ASRY& Past State Assistance: ASRY started operations between Mansfield & West Salem in 1986 on a 31.5 mile long line owned by the Community Improvement Corporation of Ashland. Because of the marginal economics of the line, Conrail had filed with federal authorities to abandon it. To keep the line from being abandoned and torn up, a predecessor agency to ORDC, the Ohio Department of Transportation, Division of Rail (ODOT Rail), helped the CIC purchase the line from Conrail with an $840,000 grant, a 60% share of purchase costs. The $560,000 local share was paid by shippers who were reimbursed by ASRY over time.

In the early days of its operations, ASRY continued to be a marginal railroad, serving Ashland and West Salem shippers which generated about 1,200 cars of traffic a year. Because of the Mansfield to West Salem line's marginal profitability, and shippers' dependence upon it, the State of Ohio has periodically helped to upgrade ASRY tracks. ODOT Rail had helped ASRY on its Mansfield to West Salem operations with rehabilitation grants in 1989 ($141,510) and 1990 ($164,979). In 2001, ORDC also provided a grant ($250,000) for a rehabilitation project for the line. All State grants were matched by an ASRY matching share.

In 1997, ASRY purchased from CSX the 26.4 mile long line from Mansfield to Willard which connects to the West Salem branch in Mansfield. ORDC loaned ASRY $877,827 to make this purchase. (ASRY fully repaid

the loan.) Subsequently, ASRY purchased the CIC portion of the line and now owns both the Mansfield to Willard and Mansfield to West Salem legs. ORDC also helped ASRY in 2004 with a $500,000 loan to help ASRY repair 4,500 ft. of track in its Mansfield yard which was part of the Willard Line acquisition. (ASRY has repaid that loan in full). In 2010, ORDC provided ASRY with a loan of $280,000 for track repairs on the Willard Line. (ASRY is on time with its payments on that loan.)

ASRY connects to CSX in its major classification yard in Willard, to NS in Mansfield, and to the Wheeling & Lake Erie in Plymouth. Its major yard is in Mansfield. A map of the ASRY lines is included as Exhibit "A".

Current ASRY Financial Situation on the West Salem Line: ASRY has built both legs of its operations to a very substantial operation. Until the recent recession, ASRY handled about 12,000 carloads of freight annually. Its major customers are AK Steel and Omni in Mansfield. In all ASRY serves 14 customers on its lines.

Unfortunately, the carloadings on ASRY are not evenly distributed on its two branches. Most of the carloadings ASRY generates are from steel traffic and Willard Line customers. For the last three years, the Mansfield to West Salem branch has generated an average of 1,147 carloads a year of which 922 were generated between Mansfield and Ashland and 225 were generated between Ashland and West Salem. The 1,147 carloads on the 31.5 mile long West Salem line equates to about 36 carloads per mile of operation. To put that number in perspective, an old "rule of thumb" used to evaluate lines that were facing abandonment was that any branchline under 34 carloads per mile annually was a good candidate to be abandoned. Another rule of thumb is that it takes about 100 carloads per mile annually to make a rail branchline a good investment for acquisition.

ASRY is in the process of changing its accounting systems to more accurately calculate its profit-loss picture for each of the two branches of its operation. ASRY most recent numbers show the Mansfield to West Salem branch well into the red. There are two issues ASRY needs to address to get the West Salem branch into the black: 1) track condition; and 2) business development.

Track Conditions: ASRY train speeds are limited to 10 MPH on the West Salem line because of the track conditions. The track condition is classified as "Excepted" which is the lowest allowable Federal Railroad Administration (FRA) classification. The ASRY proposed $1.5 million rehabilitation for the overall project would increase train speeds to 25 MPH (FRA Class II track) between Mansfield and Ashland. ASRY crews make this run 5 times a week. Running at over twice the current speed would save over 10 hours a week of crew and engine operations. With the costs of operating a crew and locomotive at over $300 per hour, the increased train speeds would save ASRY about $3,000 a week and over $150,000 per year. In addition, fuel consumption is actually about 40% lower at 25 MPH than at 10 MPH. ASRY estimates that it will reduce its fuel use by about 13,000 gallons a year at 25 MPH operation between Mansfield and Ashland which would save the railroad about $40,000 a year.

Business Development: In coordination with local economic development officials, ASRY has been very aggressively marketing sites along its Mansfield to West Salem line. ASRY industrial development efforts have this past year resulted in two new customers on the Mansfield to Ashland segment. One new customer, Deer Creek Excavating, is locating near Mansfield. Deer Creek will be transloading telephone poles. Initially it is expected to generate about 150 rail cars a year. In addition, ASRY has added a new Barbasol plant in Ashland to its customer base in the last year. The Plant Manager at the Barbasol plant expects to generate about 150 rail carloads a year of inbound raw materials and could possibly generate about 500 carloads a year of outbound finished product. Here are some of the available sites that ASRY is marketing:

- **Ashland Business Park, Ashland:** This City of Ashland industrial park is already successful with 4 new companies locating there in the last four years. ASRY recently completed a spur track into the park to serve Barbasol. The park has all needed utilities, good highway access from SR 250, an industrial

park road, and 160 acres of land open for more development. The new ASRY spur can readily be extended into this 160 acres.

- **Dalton Foundry Redevelopment Area, Ashland:** The 30 acre former foundry site sits adjacent to the ASRY mainline in Ashland and SR 250. The site has been leveled and has the industrial utilities that the former foundry required but the site needs further environmental work.
- **Former Robertson-Dybdahl Site, Mansfield:** This site has five small buildings on 13 acres of land near Mansfield. It has utilities and is proximate to US 30 and I – 71. ORDC and ASRY believe the combination of outdoor and indoor space makes this property very attractive as a potential bulk transload site.
- **Chandler Building, Ashland:** A 60,000 sq. ft. building with utilities sits on 12 acres of land in Ashland adjacent to an ASRY industrial track.
- **General Laytex Building, Ashland:** A 50,000 sq. ft. building with utilities, this plant was formerly served by ASRY.

ORDC Staff believes the combination of the cost savings from 25 MPH operation, the new carloadings from the new Barbasol plant and the Deer Creek transload, and potential new business from the existing development sites along the line, are sufficient for long term viability of ASRY operations on the West Salem branch.

Need for Rail Service on the Mansfield to West Salem Line: Included in the chart below is a listing of ASRY customers on the West Salem branch and the number of employees at each.

Mansfield to West Salem Shippers and Employees

Packaging Corporation of America	**125**
Premium Building Products	**145**
Liquibox	**143**
Town & Country Coop	**15**
Barbasol	**50**
RJ Agricultural	**12**
Crop Services	**6**
Total Jobs	**483**

ORDC surveyed all rail users. ORDC believes that all but the 21 jobs at Town & Country and Crop Services are "rail-dependent", i.e. that the companies would eventually close or relocate if ASRY rail service were to cease. Therefore, ORDC believes that there are 475 jobs dependent on ASRY rail service. ORDC arrived at this 475 rail dependent job figure by assessing the nature of the businesses involved, the costs of alternatives to rail service, the volume of rail used compared to other modes, and other factors. For example, one ASRY shipper estimated that it would cost it about $375,000 a year more for its transportation expense if it did not have rail. Another ASRY rail user noted that it receives almost 100% of its inbound raw material by rail and that its plant was not properly set up to be able to handle trucks if rail were not available. Another shipper noted that its inbound costs would go up 5 to 10 cents per pound if rail were not available. And finally, another shipper noted that its plant would not be in Ohio at all if not for the availability of ASRY rail service.

Current Mansfield to West Salem Track Conditions: The ASRY Mansfield to Ashland to West Salem line was formerly an Erie Railroad mainline. As such, it has good, wide based, heavy rail (generally 132 lb. with some 112 lb.) which is jointed between Mansfield and Ashland and welded between Ashland and West Salem. The line is high and dry and the track geometry (alignment and cross level) is good. The major issue on the line is the tie condition. A major tie program is needed for ASRY to be able to increase operating speeds. In addition, a significant brush cutting/tree trimming effort is needed to meet FRA rules for increased operating speeds. Some vegetation currently rubs up against rail cars which is not allowed for Class II operating speeds of 25

MPH. Finally, the rebuilding of crossings would be beneficial to facilitate the needs of the traveling public as well as the railroad. ASRY is seeking funding for crossing renewal from other public sources.

ORDC Staff considers the proposed project a first step in a continuing ORDC – ASRY partnership to get the entire 31.5 mile long West Salem line up to Class II conditions. Total costs for the Ashland to West Salem rehabilitation will be very similar to the Mansfield to Ashland cost, about $1.5 million, making the entire West Salem Line track rehabilitation costs about $3 million.

PROJECT DESCRIPTION: The project to be funded will consist of the rehabilitation of the ASRY West Salem branch between MP 252 at Ashland, and MP 259 seven miles to the south of Ashland. The project will include:

- A contractor hired by ASRY using ORDC grant funds cutting brush along all 7 miles of the project.
- The purchase by ASRY with ORDC grant funds of 7,700 new, industrial grade crossties, new, industrial grade switch timber for four turnouts, and 2,100 tons of ballast.
- The installation of the crossties and switch timbers by ASRY with its own forces at its own cost.
- The surfacing, lining, and tamping of the ties and ballast, as well as tie plate replacement and anchor replacement as needed, by ASRY with its own forces at its own cost.
- The tightening of bolts and replacing of broken bolt sets, as needed, by ASRY with its own forces at its own cost.

An Engineer's Estimate of costs and Scope of Work is herein included as Exhibit "B". ASRY will continue to own the West Salem Branch and be responsible for maintenance of the ORDC funded project.

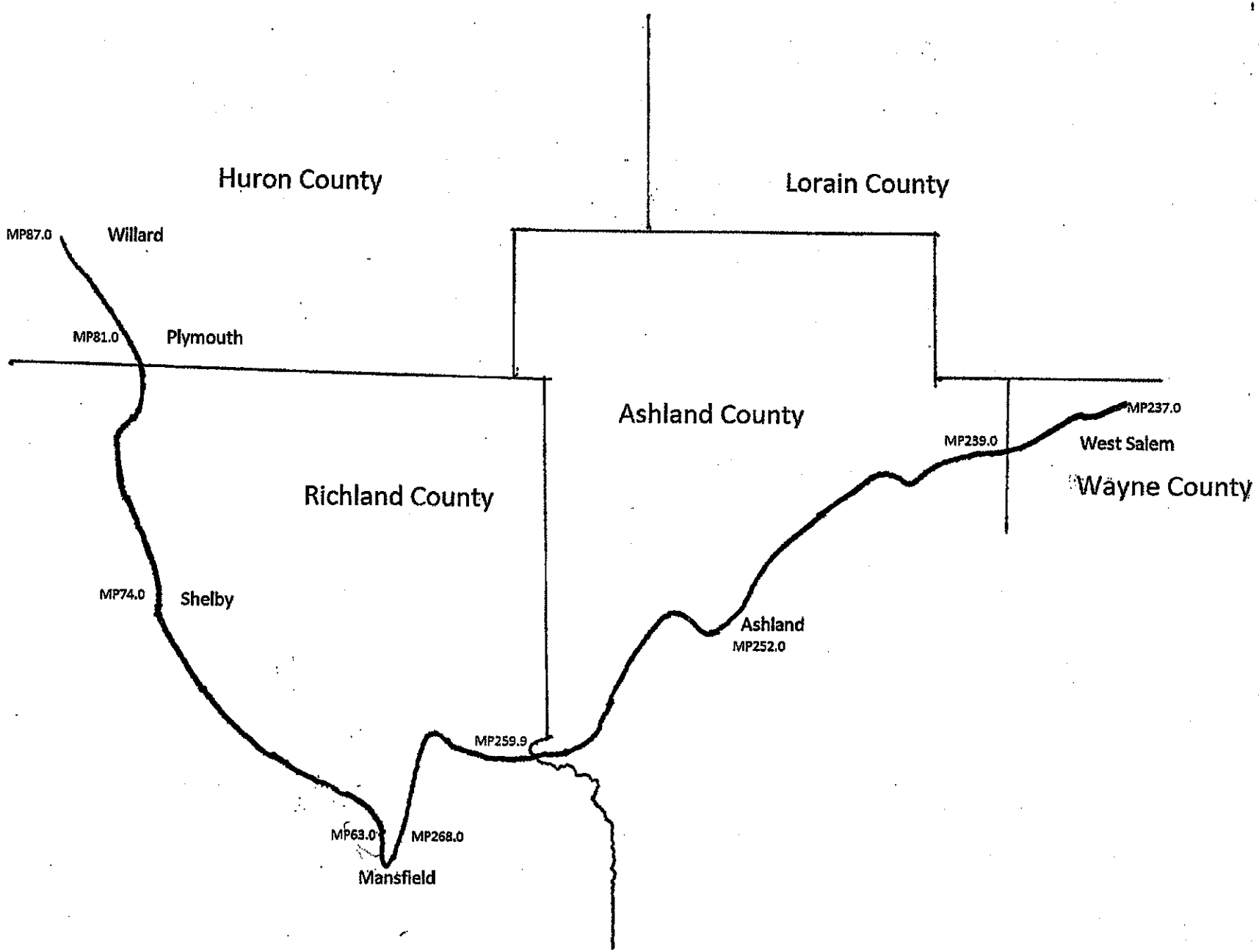
WHY IS PUBLIC FUNDING NEEDED: The economics of the ASRY Mansfield to West Salem line are not sufficient to enable ASRY to invest the level of capital needed to raise track speeds up to 25 MPH.

PROJECT BENEFITS: The rehabilitation of the Mansfield to Ashland line will prevent a cycle of decline from taking hold of ASRY operations. The continuation of the status quo will soon require ASRY to seek methods to cut costs. The most logical way to cut costs is to reduce the days of service to customers in Ashland and West Salem. Cutting service days would save ASRY operating costs but cause rail users to absorb increased cost of handling more rail cars per day of service, or cause rail users to switch some of their shipping to truck because of the logistics problems resulting from less frequent rail service. (For example some ASRY rail users have limited space on their spur tracks so could not handle larger batches of rail cars than ASRY is providing at present.) Reduced rail service will also hamper ASRY's ability to attract new customers. Fewer rail cars handled leads to fewer dollars available for track repairs. Fewer track repairs lead to expensive derailments which further reduces the ability of ASRY to maintain its track properly. Preventing a cycle of decline would yield the following benefits:

- The economics of the ASRY Mansfield to West Salem line will be improved enabling ASRY to regain profitability for that line segment and continue operations for the long term.
- Continuing ASRY rail service helps preserve 475 jobs at plants of rail dependent shippers.
- Improved track speeds reduce ASRY operating costs by about $190,000 a year.
- Improved track condition enhances safety and precludes derailment costs.

SPECIAL CONTINGENCIES:

1. ORDC funding is contingent upon ASRY and local efforts continuing to seek other sources of funding to complete the Mansfield to Ashland project, as well as a project between Ashland and West Salem.
2. ORDC Staff requests that ORDC Commissioners empower the Executive Director to expend the $400,000 in ORDC grant monies from the FY 2012 and FY 2013 GRF budgets at his discretion.


Huron County
Lorain County
MP87.0
Willard
MP81.0
Plymouth
Ashland County
MP237.0
MP239.0
West Salem
Wayne County
Richland County
MP74.0
Shelby
Ashland
MP252.0
MP259.9
MP63.0
MP268.0
Mansfield

ENGINEER'S ESTIMATED COSTS
ASHLAND RAILWAY PROJECT: MP 252 to MP 259

9-Jan-12

	ORDC Purchase of Materials & Brush Cutting *			ASRY Labor & Equipment for Tie Installation, Lining, & Surfacing**		
MP 252 to 253	Switch Ties for #10 (2 turnouts)	Lump	$4,000	Installation, Switch Ties	Lump	$4,000
	1,100 Crossties	$45/ tie	$49,500	Installation, Crossties & Plates	$29/tie	$31,900
	300 Tons, Ballast	$14/ton	$4,200	Surface, Line & Tamp Ties	$8,500/mi.	$8,500
	2 Acres, Brush Cutting	$1,000/a	$2,000			
MP 253 to 254	Switch Ties for #10 (1 turnout)	Lump	$2,000	Installation, Switch Ties	Lump	$2,000
	1,100 Crossties	$45/tie	$49,500	Installation, Crossties & Plates	$29/tie	$31,900
	300 Tons, Ballast	$14/ton	$4,200	Surface, Line & Tamp Ties	$8,500/mi.	$8,500
	3.5 Acres, Brush Cutting	$1,000/a	$3,500	Bolt Tightening & Replacement	200/mile	$4,400
MP 254 to 255	1,100 Crossties	$45/ tie	$49,500	Installation, Crossties & Plates	$29/ti.	$31,900
	300 Tons, Ballast	$14/ton	$4,200	Surface, Line & Tamp Ties	$8,500/mi.	$8,500
	3.5 Acres, Brush Cutting	$1,000/a	$3,500	Bolt Tightening & Replacement	200/mile	$4,400
MP 255 to 256	1,100 Crossties	$45/ tie	$49,500	Installation, Crossties & Plates	$29/tie	$31,900
	300 Tons, Ballast	$14/ton	$4,200	Surface, Line & Tamp Ties	$8,500/mi.	$8,500
	3 Acres, Brush Cutting	$1,000/a	$3,000	Bolt Tightening & Replacement	270/mile	$5,940
MP 256 to 257	1,100 Crossties	$45/ tie	$49,500	Installation, Crossties & Plates	$29/tie	$31,900
	300 Tons, Ballast	$14/ton	$4,200	Surface, Line & Tamp Ties	$8,500/mi.	$8,500
	2.5 Acres, Brush Cutting	$1,000/a	$2,500	Bolt Tightening & Replacement	270/mile	$5,940
3 5 **MP 257**	1,100 Crossties	$45/ tie	$49,500	Installation, Crossties & Plates	$29/tie	$31,900

to 258	300 Tons, Ballast	$14/ton	$4,200	Surface, Line & Tamp Ties	$8,500/mi.	$8,500
	2 Acres, Brush Cutting	$1,000/a	$2,000	Bolt Tightening & Replacement	270/mile	$5,940
MP 258	Switch Ties for #10 (1 turnout)	Lump	$2,000	Installation, Switch Ties	Lump	$2,000
to 259	1,100 Crossties	$45/ tie	$49,500	Installation, Crossties & Plates	$29/tie	$31,900
	300 Tons, Ballast	$14/ton	$4,200	Surface, Line & Tamp Ties	$8,500/mi.	$8,500
	2 Acres, Brush Cutting	$1,000/a	$2,000	Bolt Tightening & Replacement	270/mile	$5,940
	Estimated Total Costs		**$ 402,400**			**$ 323,360**

*** All crossties 7" X 9" Industrial Grade, New**
All switch timber Industrial Grade, New

**** ASRY Will Also Be Responsible for Replacing Tie Plates and Rail Anchors on an "As Needed" Basis.**

ASRY Scope of Work, January 9, 2012

Shortline/Branchline/Spur Benefits Summary

APPLICANT INFORMATION	
Applicant Name	Ashland Railway
Application Date	

PROJECT INFORMATION	
Project Type	2. Rehabilitation Program
Project Specific Title (1 to 2 line description)	Ashland Railway Mansfield to Ashland Rehabilitation
Project Location Address/Plant Site/Mileposts City/Township/Rail Line	MP 252-259

Transportation and extraordinary logistical or infrastructure issues. Explain any unusual issues, e.g. unusual logistics for shortline or connecting carrier operations)	0

Total Project Funding Sources and Uses				
	Applicant Financing ($)	Private Financing	Public Assistance	Total
Land	$0	$0	$0	$0
Building	$0	$0	$0	$0
Machinery / Equipment	$0	$0	$0	$0
Non Fixed Asset Costs	$0	$0	$0	$0
Non Rail Infrastructure	$0	$0	$0	$0
Other	$0	$0	$0	$0
Rail Infrastructure	$323,360	$0	$400,000	$723,360
Total Cost	$0	$0	$0	$0

Infrastructure Data				
	Current # of Miles	Current % of Total Miles	Post-Project # of Miles	Post-Project % of Total Miles
1. Excepted / Total	31	54%	24	42%
2. Class 1 / Total	5	9%	5	9%
3. Class 2 / Total	21	37%	28	49%
4. Class 3+ / Total	0	0%	0	0%
5. Actual miles of 286K / Total	57	100%	57	100%

Existing Service Benefits

V. Shipper Transportation Cost Data	
	Existing Savings
1. Truck Costs	$7,245,617
2. Rail Costs	$2,460,603
3. Projected Shipper Transportation Cost Savings	$4,785,014

VI. Fuel Usage Data (OH)	
	Existing Savings
Fuel Savings (OH) (# Gallons)	216,279
Value of Fuel Savings	$789,201

VII. Highway Cost Savings Data - Project Totals (OH)	
	Existing Savings
1. Highway Maintenance Costs Savings (OH)	$94,576
2. Highway Congestion Cost Savings (OH)	$62,495.30

VIII. Highway Safety Data (OH)	
	Existing Savings
1. Reduced # of Trucks	7,079
2. Reduced Fatalities (OH)	0.062521597
3. Value of Reduced Fatalities	$375,130
4. Reduced Injuries (OH)	1.57
5. Value of Reduced Injuries	$146,424

IX. Environmental Emissions Data (OH)		
	Tons Reduced	Value
1. Carbon Monoxide Reduction	2.74	
2. Nitrogen Oxide Reduction	37.76	$151,028
3. Particulate Matter	0.38	$63,488
4. Carbon Dioxide	2404.15	$79,337

RESOLUTION 12-01

RE: ASHLAND RAILWAY MANSFIELD TO ASHLAND LINE REHABILITATION PROJECT GRANT

A RESOLUTION DETERMINING THE APPROPRIATENESS OF ASSISTANCE PROPOSED TO BE PROVIDED TO THE ASHLAND RAILWAY UNDER CHAPTER 4981 OF THE OHIO REVISED CODE.

WHEREAS, this Commission as the Ohio Rail Development Commission ("ORDC") created by Chapter 4981 of the Ohio Revised Code, has the responsibility of reviewing and making recommendations to ORDC staff with respect to the assistance under Chapter 4981 of the Ohio Revised Code (the "Act") proposed to be provided; and

WHEREAS, the ORDC has under consideration the provision of assistance under the Act to Ashland Railway (the "Company"); and

WHEREAS, the ORDC staff has submitted to this ORDC a Request for Assistance submitted by the Company; the determination of the Executive Director of the ORDC and the facts upon which such determination is based, that the proposed assistance will conform to the requirements of the Act and the terms of the proposed assistance; and

WHEREAS, the ORDC has reviewed such submissions and discussed them with the Executive Director and staff of the ORDC the proposed assistance; and

WHEREAS, on the basis of such review and discussions, the ORDC has determined that the provision of assistance to the Company, as set forth in the ORDC staff's submissions, is appropriate.

NOW, THEREFORE, BE IT RESOLVED by the ORDC of the State of Ohio:

Section 1. That the ORDC determines that the assistance proposed to be provided under the Act to assist the Company with the Rail Service Project (as defined below) is appropriate.

Section 2. That the ORDC approves the proposed assistance to the Company, the nature, amount and terms of which are summarized in Exhibit A attached hereto.

Moved By _____
Seconded By _____

Upon roll call, the vote resulted as follows:

James G. Bradley, Chairman	____	yes	_____	no	_____	absent	_____	abstained	____ recused
Barbara Hammontree Bennett	____	yes	_____	no	_____	absent	_____	abstained	____ recused
Robert Greenlese	____	yes	_____	no	_____	absent	_____	abstained	____ recused
Solomon Jackson	____	yes	_____	no	_____	absent	_____	abstained	____ recused
Kevin Potter for Christiane Schmenk	____	yes	_____	no	_____	absent	_____	abstained	____ recused
William Lozier	____	yes	_____	no	_____	absent	_____	abstained	____ recused
Thomas McOwen	____	yes	_____	no	_____	absent	_____	abstained	____ recused
Ronald C. Rasmus	____	yes	_____	no	_____	absent	_____	abstained	____ recused
Larry Sowers	____	yes	_____	no	_____	absent	_____	abstained	____ recused
Gregory Murphy for Jerry Wray	____	yes	_____	no	_____	absent	_____	abstained	____ recused

ORDC ACTION: Motion approved _____ Other action _____
Motion denied _____ Date 1/19/2012

CERTIFICATE

I, the undersigned Chair of the ORDC, hereby certify that the foregoing is a true and correct record of the resolution of said ORDC.

_____ 1/19/2012
James G. Bradley, Chair Date

EXHIBIT A

A grant to the Company pursuant to Section 4981.032 of the Ohio Revised Code in the amount up to Four Hundred Thousand Dollars ($400,000) (the "ORDC Grant") to undertake the rehabilitation of fifteen miles of its 31.5 mile long Mansfield to West Salem line from MP 267 near Mansfield to MP 252 at Ashland ("Rail Service Project").

The ORDC Grant is subject to the following conditions:

i) The Company must meet all standard ORDC program requirements, including any applicable prevailing wage provisions, in expending the ORDC Grant.

ii) The Company must continue to seek other sources of funding to the satisfaction of the ORDC to complete the Mansfield to Ashland project, as well as a project between Ashland and West Salem to the satisfaction of the ORDC.

iii) The ORDC Executive Director may expend the ORDC Grant monies for the Rail Service Project in amounts he determines to be appropriate from FY 2012 and FY 2013 GRF monies.